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**FOR IMMEDIATE RELEASE**

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### **Edelen Releases Audit of Lewis County Fiscal Court**

**FRANKFORT, Ky.** – State Auditor Adam Edelen has released the audit of the financial statements of the Lewis County Fiscal Court for the fiscal year ended June 30, 2011. State law requires annual audits of county fiscal courts.

The audit found that the county's financial statements, in all material respects, fairly present the county's assets, liabilities, and net assets arising from cash transactions and revenues received and expenditures paid in conformity with the modified cash basis of accounting.

As part of the audit process, the auditor must comment on non-compliance with laws, regulations, contracts and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments:

**The Fiscal Court should use restricted road funds only for purposes permitted by statute.** The former County Judge/Executive instructed road workers paid from the Road Fund to haul gravel, which was donated by a third party, to private property owned by the County Treasurer in Garrison, Ky.

KRS 179.415 (1) requires the Department for Local Government to pay each county its pro rata share of any funds appropriated and any unexpended balance of funds appropriated for construction, reconstruction, improvement, and maintenance of county roads and bridges. In addition, KRS 179.415(2) requires the expenditure of any money received by the county in accordance with the provisions of subsection (1) of this section shall be made solely for the purpose of construction, reconstruction, and maintenance of county roads and bridges.

The Fiscal Court should have policies and procedures, which should include consulting with the County Attorney to ensure road funds spent are in compliance with KRS 179.415.

*County Judge/Executive Thomas Massie's response: This incident happened under prior administration. Road funds spent by this administration are, and will remain, in compliance with KRS 179.415.*

*Former Judge/Executive Steve Applegate's response: The property in question was properly leased to a non-profit organization. It has been a common practice to haul gravel to churches and non-profit organizations in the past. One of the duties of the County Judge/Executive is to promote economical opportunities on behalf of the County. In this situation, the participation of the County greatly helped the economic growth of that area of the County.*

**The Jailer should have expended commissary profit for the benefit of the prisoners.** During testing for jail commissary expenditures, we noted \$1,951 of expenditures for paint and painting supplies that would be deemed regular jail fund expenditures.

KRS 441.135(2) states all profits from the canteen shall be used for the benefit and to enhance the well-being of the prisoners. Allowable expenditures from a canteen account shall include but not be limited to recreational, vocational, and medical purposes.

We recommend \$1,951 be reimbursed by the jail fund to the jail commissary account. Furthermore, the Jailer should ensure all expenditures from jail commissary profits are for the benefit of the prisoners and are in compliance with KRS 441.135(2).

*County Judge/Executive Thomas Massie's response: New paint to change color of walls benefited the inmates and application of paint was part of inmate vocational training.*

*County Jailer Chris McCane's response: Refer to Judge Executive comments.*

**The Lewis County Detention Center lacks adequate segregation of duties over the accounting functions.** One employee prepares commissary deposits, makes deposits, prepares monthly reports, remits monthly reports along with inmate fees to the county treasurer, reconciles the bank account, and makes payments from the bank account.

Proper segregation of duties over accounting functions is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

Implementation of the following procedures could strengthen controls at the jail. When faced with a limited number of staff, strong compensating controls should be in place to offset the lack of segregation of duties. If the Jailer implements compensating controls he should initial the supporting documentation reviewed.

- An independent person should agree daily deposits to the daily checkout sheet and the receipts ledger.
- An independent person should review monthly bank reconciliations.
- An independent person should compare invoices to payments.

*County Judge/Executive Thomas Massie's response: Common audit comment for small facilities with limited staff.*

*County Jailer Chris McCane's response: Refer to County Judge Executive remarks on his exit conference.*

The [audit report](#) can be found on the auditor's website.

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